



Charlotte City Council

# Governance & Accountability Committee

Meeting Summary for May 27, 2014

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## COMMITTEE AGENDA TOPICS

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- I.     Subject:     City Manager and City Attorney Performance Reviews Process
  
- II.    Subject:     External Audit Timeline Update
  
- III.   Subject:     Internal Audit Update
  
- IV.    Subject:     Next Meeting  
Monday, June 23, 2014 at 2:00 p.m. in Conference Room 280

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## COMMITTEE INFORMATION

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Present:           Council members Howard, Autry, Phipps  
Other:             -  
Time:              12:00 p.m. to 12:58 p.m.

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## ATTACHMENTS

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- 1. Agenda Package

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## DISCUSSION HIGHLIGHTS

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Committee Chair Councilman David Howard called the meeting to order and asked those in attendance to introduce themselves. He then handed the meeting over to City Manager Ron Carlee to continue the discussion of the City Manager and City Attorney Performance Review Process.

### ***I. City Manager & City Attorney Performance Reviews Process***

City Manager Ron Carlee informed the team that he and City Attorney Bob Hagemann had a similar approach when taking the questionnaire and made recommended revisions to it. They tried to do it the same way but some parts of their jobs are different. Ron Carlee added that he tried to identify quantitative measures that will be able to overall assess duties of the City Manager. Overall areas are very similar and he did not see any major issues with them. The first 4 proposed evaluation criterias really encompass the core body of the work of the City Manager daily and annually. They are 1) Build Community 2) Provide Operational Leadership 3) Promote Effective Relationships with the Mayor & Council and 4) Develop the City Government's Workforce. The 5<sup>th</sup> proposed evaluation criteria, Special Projects/High Priority Issues – Situation specific, has no explicit measures currently but the City Manager will respond to things as they arise.

Councilman Howard asked the City Manager if they (Council) could have all the information when performing the review(s) and wanted to know if that is what he sees happening in the future. Ron Carlee responded that he sees it happening. Councilman Howard suggested that he would like a retreat (like) notebook. Ron Carlee agreed that the book should be readable, notable and something that demonstrates how the City is running - something short but full of substance. Councilman Howard added that he is seeking something more encompassing and defined. Councilman Howard agreed with the suggestions made and noted that the City Manager is going in the right direction.

City Attorney Bob Hagemann joined and continued the conversation noting that he has a very different job than the City Manager because he is not responsible for the entire organization but instead he is his lawyer's support. Bob Hagemann noted that it is very difficult to get an advance of what yearly goals are. His job is very reactive and it is a lot more difficult to identify ahead of time performance criteria, measurements or data statistics. Bob Hagemann noted he tried a different approach (from Matt) that would highlight for Council major things in each area to mentally trigger things that would make Council think how he should be evaluated. Bob Hagemann intends to continue down that path to make categories line up in a more logical way that makes more sense to him. Bob Hagemann assured Councilman Howard that the changes were nothing radical but combines some things and clearly define differences within each of the 5 categories. Councilman Howard then asked Cheryl Brown in Human Resources what were the actual changes and how far did they go as far as changes are concerned? Cheryl Brown responded that the previous categories on the survey were 1) Council Support 2) Legal Advisor

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3) Awareness of Legal Trends 4) Management of Legal Affairs 5) Working Relations in Mayor & Council and 6) Management in City Attorney's Office. Both Bob Hagemann and Cheryl Brown agreed that the categories all sort of got meshed together. Bob Hagemann noted that when he was first presented the categories he did not have a clear description of what was intended. In his write up he provided Council his philosophy under each category. Much of which was carried forward in the (now) 5 categories and description which is a combination of the 6 previous categories, the write up and what he came up on his with what he thought was appropriate philosophy and approach for being effective in each of those areas. Bob Hagemann stated it was kind of a combination of all that stuff.

Councilman Howard noted the one thing he doesn't see and would like to see is the category of Running of the Office as well as recapture the category Management of the Department and/or Management and Friends, which can go together. Bob Hagemann noted that he spent a lot of time thinking about three logical places for input from peers and 3<sup>rd</sup> parties to look for accurate and effective reviews. Bob came up with the following places 1) Executive Management and Department Heads and how satisfied they are with the service the department provides. 2) Evaluation of Bob Hagemann by his staff and 3) The potential benefit to going outside of the organization to survey other attorneys the City interacts with. Bob suggested that he would like to survey this particular group on an annual basis on a 3 year cycle. In this cycle 1 of 3 groups would be surveyed or evaluated each year with the 1<sup>st</sup> year probably being the City Manager and his team to receive input and feedback that would be shared with Council. Councilman Howard agreed with Bob Hagemann that the process between the City Manager and the City Attorney should be different but the cycle should be the same between them. Councilman Howard would also like to receive possible feedback from former employees that were once direct reports when seeking outside surveys or evaluations. He thinks it would be interesting to the process and asked Cheryl Brown in Human Resources to figure out the logistics in making that happen.

Councilman Howard noted that the City Manager's review/survey information should be input within the next 30 days and then the City Attorney's within the next 60 days. Given the timeline Councilman Howard was interested to know how much of this (new) process is good for this year's review. City Manager Ron Carlee responded that he will use the information as a template this year but will begin mapping out the data and adding even more data for next year. Councilman Howard reiterated that he would really like a notebook with all the data compiled in a way that the format and content makes sense. He suggested trying to develop the format that is being used this year as well as to line up information to where everything looks and reads the same way explaining which year cycle we are currently in.

Ron Carlee mentioned to the Committee that there should be a goal for personal development plans added because he feels it is really important since he is obligated to do so for his credentials and believes that it should be an expectation for Council as well. Councilman Howard believed that was a great idea and having the goal sets the platform for those to follow. Councilman Greg Phipps posed a question about goal #3 and wanted to know if this goal was an example where the City Manager can demonstrate more participatory attributes rather than reactive? Ron Carlee responded that this goal is in there as explicit recognition to keep Council

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in front of the curve instead of behind it. Councilman Greg Phipps wanted to know how learnings from other municipalities could impact what Council could learn from them to keep us out of trouble and future legal conflicts. City Attorney Haggeman responded that he felt that was a great question and in fact already had that information captured broadly under his 1<sup>st</sup> category and would view that as part of his obligation.

Cheryl Brown from Human Resources noted the next steps for the June 9<sup>th</sup> Governance and Accountability meeting will formerly recommend the evaluation and dimensions of both the City Manager and City Attorney to full Council. Cheryl noted that she started drafting the RCA today. The City Manager's process will come up first, 4 weeks prior to his evaluation date which is 7/28. HR will send the website link for the survey as was done in previous years. On 7/14 the City Manager will submit to Mayor and Council a self-assessment of his performance based on his discussed dimensions today. Councilman Howard would like to include a 3 year cycle in this process. He would like for the City Manager and City Attorney to get together for external feedback. He would like to know who gets picked for the first cycle and each cycle thereafter, especially focusing on the participants for external feedback. City Attorney Bob Hagemann noted that he and the City Manager will work together and talk it through to coordinate the cycle- especially focusing on external peers. Councilman Howard concluded this conversation and noted that he looks forward to see how it all works out next month.

## **II. External Audit Timeline Update**

Assistant City Manager Hyong Yi opened the conversation and informed the Committee that this discussion would be a continuation of items from previous meetings. Hyong Yi wanted to give Council an outline of the calendar and manage some of Council's expectations of where they will need to be involved. Hyong Yi noted that Council won't be needed on a monthly basis but there will be times when Council will need to be involved. Chief Financial Officer Greg Gaskins resumed dialogue and noted that he met with ACM Hyong Yi after last month's meeting and mentioned he would summarize the timeline in front of Council to better explain when things will be done and when they will be appearing before them. Greg Gaskins noted the first business will happen in June and is a fairly routine piece of business where his staff will receive the contract from the auditor, review and make changes in contract and then, ultimately contract will be signed by both the City Manager and Councilman Howard who is the Chair for the committee. Gaskins noted that there are usually no major changes yearly with the contract but occasionally there are some. As a result of that there will be some language differences. If that is the case it will be submitted to the Chair and the report will be discussed and reviewed part by part to the Chair for clear and precise understanding.

The guidelines of the timeline is as follows:

April - Annual meeting with the Independent Auditors to plan and determine the scope of the audit. Those included in this process will be the Committee, Independent Auditors and Finance.

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June - Chair of Governance and Accountability Committee signs the independent audit contract as required by the Local Government Commission.

June – July - Independent Auditors perform preliminary work; Committee may identify particular areas, if any, where the Committee/Council would like the independent auditor to focus.

July – December - Finance/Financial Reporting staff prepares the CAFR

August – October - Independent Auditors complete audit work; if needed, Independent Auditors may discuss concerns identified during the audit with the Committee.

November - Independent Auditors present results of annual audit to the Committee. The lead up to this will be Eddie (from Cherry Berkaert) coming back to discuss results, answer questions as well as discuss any additions that are needed / requested.

December – January - Committee reports to the Council on the annual financial statements and Independent Auditor's report. Independent Auditors present their report to the Council.

Greg Gaskins informed the Committee in the process if there are any issues or questions that come up, his staff will make time to address them. Councilman Howard wanted to make sure that when that meeting occurs that Council is invited to that meeting(s). Greg Gaskins offered individual meetings with Council as well as a co- meeting with the Chair and Co-Chair of this Committee.

June 30<sup>th</sup> is Greg Gaskins last day with the City. City is currently working on a very thorough process for his replacement.

### **III. Internal Audit**

ACM Hyong Yi opened and noted that they are continuing to try to refine how they present information to Council. Greg McDowell joined the conversation explaining how they narrowed the internal audit division memo down to a briefing summary.

Only one audit report has been issued since the previous Committee meeting and it is summarized below. The full 4 page report was provided to Council members as part of the 5/2/14 Council-Manager Memo.

Performance Audit Report Issued:

Vice Imprest Fund 2013 – It has been the CMPD's practice for many years to request an audit of its Vice Imprest Fund prior to obtaining replenishment. During calendar year 2013, Internal Audit conducted six such reviews. The overall accounting controls in place related to the Vice Imprest Fund are adequate and operating satisfactorily. The accounting for the Imprest Fund and

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the related case documentation are detailed and complete. However, CMPD supervisory staff have been unable to obtain compliance with important administrative controls (timely completion of documentation), with about 19% of vice transactions classified by CMPD as non-compliant. While auditors noted that adequate procedures exist to resolve these issues, we recommended that CMPD should take additional steps to achieve a higher initial compliance level. We are satisfied with their response, including plans to implement a procedural change which will be strictly enforced. Department will follow up each year to see if things continue to improve over the years.

Audits in Progress that should be out within the next 2-3 weeks are:

- CATS Blue Line Extension – Consultant's Direct Labor, Overhead and Fees (October 1, 2012 through September 30, 2013) – The consultant, STV/Ralph Whitehead Associates, Inc. (STV/RWA), was notified of this audit in February. In February and March, CATS and STV/RWA supplied the requested documentation. Our review is complete and a draft report is in progress. The final report is expected to be issued in May or June.

Fare Evasion Fine Collections – At CATS' request, audit staff reviewed records supplied by a CATS contractor which documented losses due to the actions of a former employee of the contractor. In January 2014, a settlement agreement was signed by Central Parking and the City. Internal Audit supported this agreement. The City accepted a reimbursement payment of \$50,750. In August 2013, CATS staff (in place of the contractor) had begun collecting the fare evasion citation fines. Internal Audit has met with CATS' staff to review the new procedure. A draft report was provided to CATS in April. We expect to review the report with CATS and the City Manager's Office in May, with final issuance in June.

- Quarterly Stimulus (ARRA) FY14 – In January 2014, the City was informed of a Congressional action that eliminated the required quarterly reporting. The final report period for all grants, even those still in process, is December 31, 2013. We have summarized outstanding compliance issues and a draft report is in process. Our final ARRA report will be issued by June.

Other reports are moving along pretty smoothly.

Hotline Development – An employee hotline is under development, with possible implementation to occur July 1, 2014. The development efforts were shared with the Governance and Accountability Committee in April. The Committee plans to recommend endorsing an employee hotline, administered by the City Auditor, at the May 5, 2014 Council Meeting. This will provide another mechanism whereby employees may report unethical or illegal acts. Internal Audit, with assistance and support from Human Resources, the City Attorney's Office, CMUD and others, has solicited third-party vendors to operate the hotline, to ensure callers' anonymity. Vendor submittals are currently under evaluation.

The City has selected a firm and is very happy with the firm that bid. Bid was less than 10k a year. Final amount will be divulged once the contract is signed. Not an expensive contract but it is very detailed and needs to be administered very closely and carefully. Legal and Shared

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Services Procurement is still redlining and dealing with fine details and completing the process. Councilman Howard suggested that once the fine details are complete and finalized that it be introduced to Council prior to rollout with an explanation of exactly what it looks like and how it works. There are some preliminary meetings currently taking place as well as a meeting this week with Corporate Communications discussing proper rollout.

Agenda Action Items that will be discussed in the future:

- Hotline and how it works
- DNC Audit
- ERP Update - June Meeting
- Next steps with Ethics Update – June Meeting
- Update on contracts with outside agencies (CRVA)
- Feedback on City Attorney Request

\*Meeting Adjourned at 12:58 p.m.